

PLACE HOLDER
PAGE

After retiring from the Army, Henry worked for his hometown of Carbon Hill, Alabama for 26 years. First with the police. Then in city hall as a Clerk, Magistrate, Council Member and ultimately Mayor. “We had the same ol’ complaints as they do in DC: transportation, police, fire departments, and ... how ya gonna control all the dang dogs!?!” Henry once appropriated \$19 million to rebuild the school, repave highways and replace sidewalks. That planning experience was an asset when it came to Gulfport’s redevelopment. So Henry was made Chair of the Gulfport Startup Committee. “In 2006, Mr. Cox and I attended five meetings with Congress to present five distinct options for Gulfport. Our

“I work with Gulfport public affairs to keep residents informed.”

— Henry Pike
(Army)



committee had people from the VA and DoD. Plus we worked with architects and contractors to determine the best way forward.” Today Henry gives the residents routine updates. And he posts new construction photos on his door. You could say he’s ‘Mayor’ of the new Gulfport.

The MD&A features:

- Mission & Vision
- Organization
- Locations
- Residents & Staff
- Strategic Vision
- High-Priority Performance Goals
- Performance Summary & Highlights
- Financial Statement Summary
- Legal & Regulatory Compliance

MANAGEMENT'S
DISCUSSION &
ANALYSIS

REFOCUS RETIREMENT

Introduction

Mission:

To fulfill our nation's commitment to its veterans by providing a premier retirement community with exceptional residential care and extensive support services.

Vision

To actively nurture the Health and Wellness Philosophy of Aging while providing our nation's heroes with a continuum of Life Care Services in a community setting.

Guiding Principles

*Establish Accountability
Honor Heritage
Inspire Excellence
Maintain Integrity
Maximize Workforce
Serve Customers*

Of late, AFRH is posturing to move forward in a new direction – with modern facilities and operations to match the Aging in Place vision in modern retirement living. In FY09, AFRH received funding from its Trust Fund to begin “rightsizing” our infrastructure to realize efficiencies. Plus our new Gulfport facility, which reflects our vision for modern retirement, was 75% complete at the end of this fiscal year.

Our great challenge is to preserve an enjoyable retirement in a fiscally prudent manner. Today, management is pleased to report that we are truly succeeding.

[From Public Law] - 24 US Code, Section 411 Establishment of Armed Forces Retirement Home
(b) Purpose - The purpose of the Retirement Home is to provide, through the Armed Forces Retirement Home-Washington and the Armed Forces Retirement Home-Gulfport, residences and related services for certain retired and former members of the Armed Forces.

Over the past two centuries, the mission of the Home has not wavered. Yet, the execution of that mission has certainly evolved over time.

In 1826 the Naval Hospital was launched in Philadelphia to care for seamen and officers. By 1851 the Old Soldiers' Home was established for veterans in Washington with reparations from the Mexican War. A Trust Fund was created to make this Home self-sufficient, and each enlisted contributed small payroll deductions to grow the Fund.

Since then, the notion of retirement has dramatically evolved. In the 1800s, veterans were urged to recuperate and remain at rest. That view changed at the turn of the century when military governors ruled the Homes and demanded strict adherence to traditions of the service. In the early 20th century, a working farm sustained our Washington veterans. By the '60s, retirement progressed toward recreation and leisure, and many activities like golf and swimming took off. Indeed, many stipend workers helped support that lifestyle.

We're honing our Vision by:

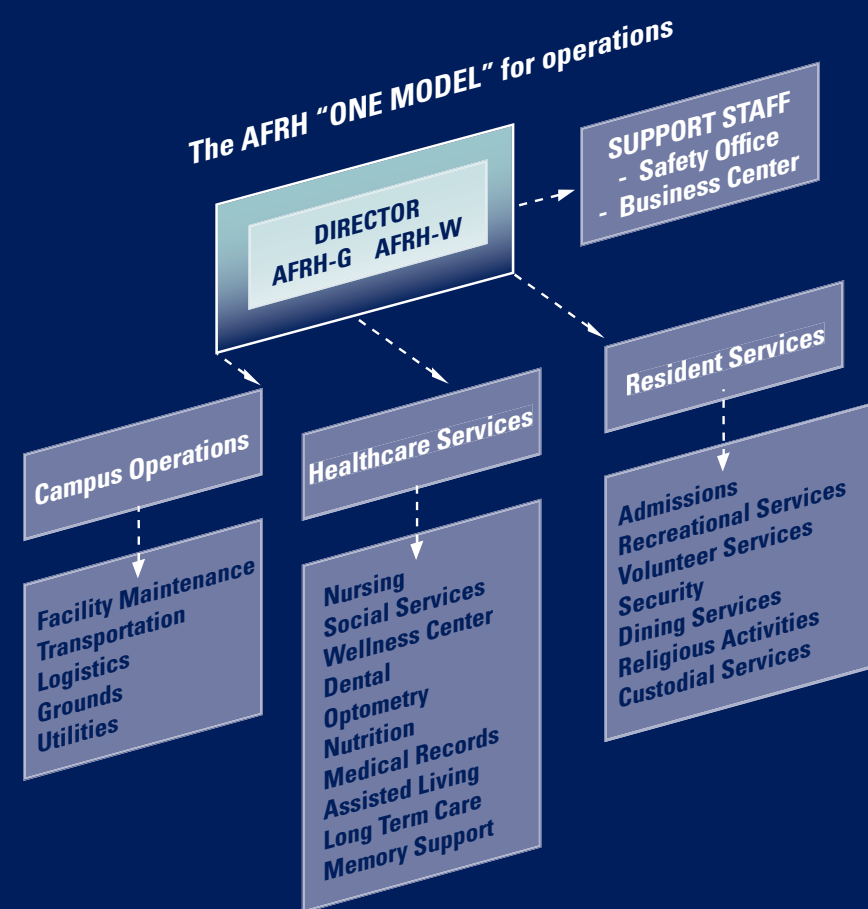
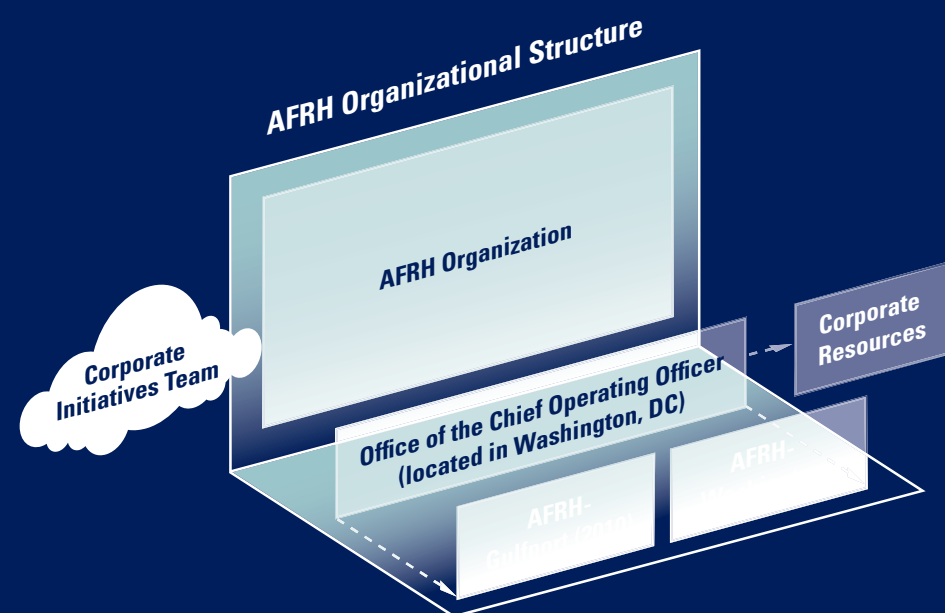
Adopting Aging in Place

Modernizing all Facilities

Raising Effectiveness

REGARD STRUCTURE

AFRH Organization

**Management**

AFRH is organized in a contemporary business establishment, with a corporate office that manages independent functioning retirement communities in different locations. This arrangement allows corporate to make strategic decisions, as well as communicate with Congress and constituents.

Facilities

Using the successful "One Model" for all community operations, each Home has a Director who reports to the COO. Plus each community can make its own tactical operational decisions, manage its facilities and respond to local resident requirements. A Local Advisory Board helps provide expert experience and knowledge of military and medical related concerns.

Our "One Model" is at work in each AFRH facility.



MG Carla Hawley-Bowland (Army), North Atlantic Regional Medical Command, Walter Reed, is Local Advisory Board Chair.



RADM Christine Hunter (Navy), Deputy Director TRICARE Management Activity, is Medical Advisor to AFRH (far right).

EXPLORE SURROUNDINGS

Locations

Gulfport, MS

AFRH-G was damaged in 2005 by Hurricane Katrina, and will reopen as a modern senior living facility in October 2010 on the same site it has occupied since 1976.

All amenities for dining, health-care and recreation are planned. The historic chapel is being successfully renovated after sustaining hurricane damage. And the century-old "Graduation Oak" tree still presides over this community.

A western view of the new Gulfport >



Washington, DC

Dating back to 1851, AFRH-W has many historic features and is adjacent to President Lincoln's Cottage and the Soldiers' Home National Cemetery. Yet, the infrastructure of AFRH-W is under-

going significant changes. The major change will begin in FY11, with the replacement of the Scott Building. The new facility will offer smaller, more accessible activity spaces for residents. Upgrades to the Home's main entrance and golf shack will begin in FY10, along with keyless entry to resident rooms.

AFRH-W is conveniently located near world-class medical centers and historic sites in Washington. It boasts a 9-hole golf course on its property along with many hobby shops, a fitness center and onsite medical services.

< Artist's rendering of the new Commons and Quadrangle



Eligibility

Anyone may become an AFRH resident if their active duty military service was at least 50 percent enlisted, Warrant Officer or Limited Duty Officer (per US Code 24, Section 412 (24 USC.412). Further, a person must also:

- a) Have 20 or more years of active duty service and be at least 60 years old, OR
- b) Be unable to earn a livelihood due to a service-connected disability, OR
- c) Be unable to earn a livelihood due to a non service-connected disability, yet served in a war theater or received hostile fire pay, OR
- d) Have served in a women's component of the Services before June 12, 1948

RESIDENTS

- > Veterans by Gender
 - Male: 875 (90%)
 - Female: 102 (10%)

- > Veterans who served in War Theaters*:
 - World War II: 413 (31%)
 - Korean War: 460 (36%)
 - Vietnam: 440 (33%)
 - Grenada: 2 (< .01 %)
 - Panama: 4 (< .01 %)
 - Gulf War: 2 (< .01 %)

** Figures exceed 100% as many have served in multiple wars*

> Current Resident Mix* (per Eligibility):

- a) 20 year Military Retiree - 734 (76%)
- b) Unable to earn a livelihood (service connected): 78 (8%)
- c) Unable to earn a livelihood (war theater): 112 (11%)
- d) Women serving before 1948: 53 (5%)

** Demographics fluctuate, yet are accurate as of Sep 30, 2009*

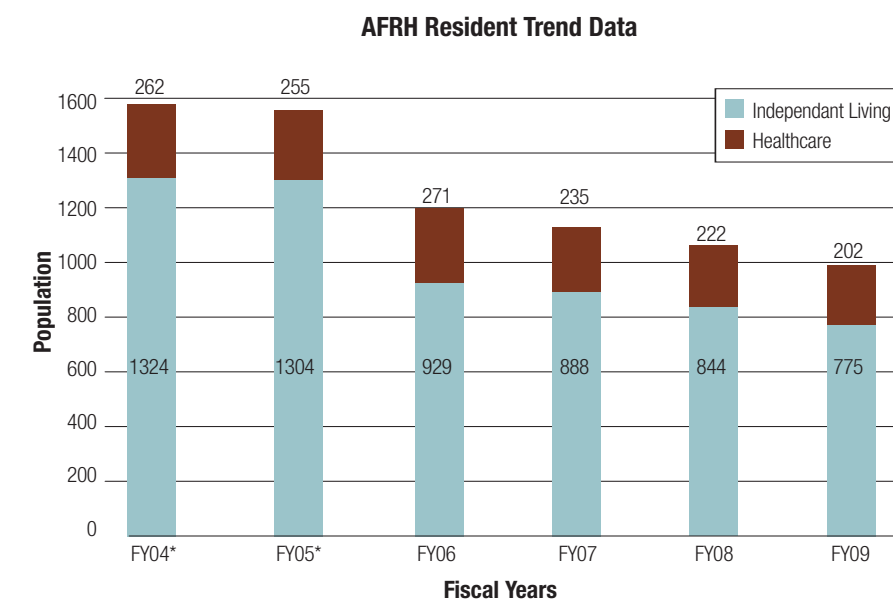
> Veterans by Branch of Service

- US Army: 403 (42%)
- US Air Force: 315 (32%)
- US Navy: 224 (23%)
- US Marine Corps: 30 (3%)
- US Coast Guard: 4 (< .01 %)

Total: 977

Trends

Over the years residency has fluctuated. Per the chart below, overall residency has declined (along with capacity). Buildings no longer serviceable have been mothballed as part of the strategic planning process. All residents now live at AFRH-W till AFRH-G reopens.



**Note: FY04 + 05 included AFRH-Gulfport operational*



“We felt very lucky to come here.
But we’re looking forward to
going back to Gulfport.”

— Marian Ritchie (Navy), left



Gulfport Resident Wait List

Total Former Gulfport	376
Former Gulfport at AFRH-W:	204
Former Gulfport out of AFRH:	172
Total Other	585
Current residents asking transfer:	313
Eligible & approved applicants:	272

Barriers

Many eligible veterans who wish to move to AFRH cannot. Some can't move to the East Coast or separate from family in their waning years. Another hurdle is the policy regarding spouse admission. When spouses fail to meet our firm Eligibility, we lose eligible veterans as residents, along with their spouses.

To lessen the impact of such losses, AFRH has developed a unique approach: make both existing facilities have similar capacity: AFRH-G 582 and AFRH-W 568. This enables cost efficiencies to be achieved. Further, the possibility of developing additional, more favorable locations can be considered.

STAFF

Synergy

The AFRH team is comprised of Federal employees, expert consultants, and service providers. Blending expertise from various sources has proven to improve service to residents and reduce costs.

Our devoted staff serves our residents with the same honor and commitment with which they served our great nation. Members of the AFRH family are:

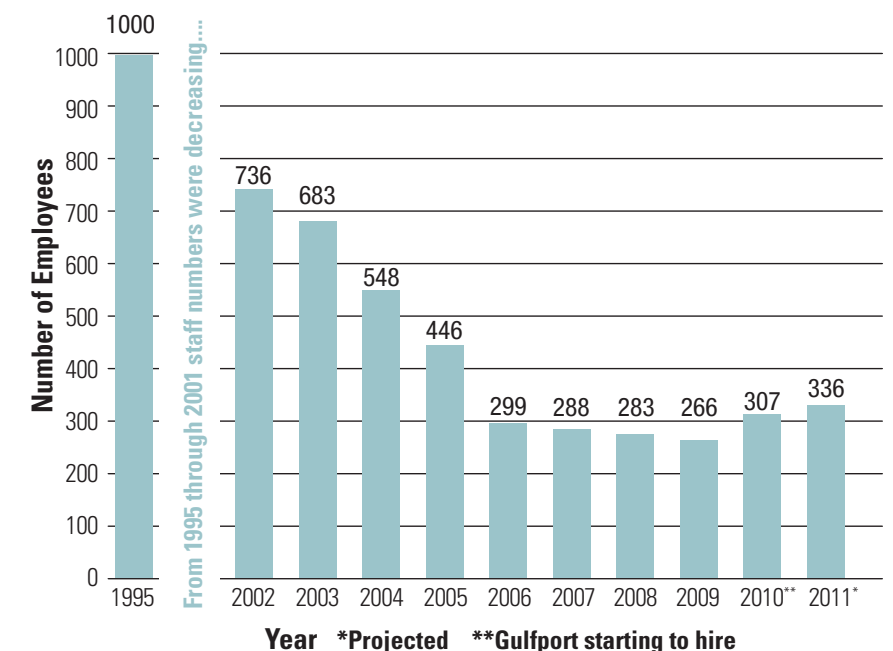
- > Dedicated, compassionate & energetic
- > Salaried professionals & contracted experts
- > Broad mix of service & health personnel
- > A multi-cultural blend of committed workers

Developments

As AFRH residency has decreased, so has the number of staff. The Staff Trend chart below shows the trend towards more efficient staffing. Incidentally, a

large decrease occurred when Gulfport closed in 2005. However, Gulfport staffing will ramp up starting 2nd quarter FY10.

Full Time Equivalent Staff



DISTINGUISH PURPOSE

Strategic Vision & High-Priority Performance Goals

AFRH conceived five Strategic Goals in 2003. They form the basis of our Strategic Plan for 2006-2010. Each Goal has specific, measurable objectives – with corresponding Key Actions to ensure steady progress. Our aim has been to make great strides – so that our veterans will be just as proud of this organization as we are of them. So, we have marched forward with unwavering resolve to meet and exceed these Strategic Goals:

Financial Growth:

Create net growth and stability for the AFRH Trust Fund.

Exceptional Service:

Enhance the AFRH experience to enrich the quality of residents' lives.

Improved Processes:

Modernize operations to leverage and maximize resources across AFRH.

Learning & Growth:

Promote personal excellence and professional growth for all personnel.

Culture of Integrity:

Inspire commitment to AFRH Guiding Principles through mutual respect.

**High-Priority Performance Goals**

This year, AFRH has differentiated its “significant challenges.” These key initiatives were existing objectives in the AFRH Strategic Plan – yet they have risen to the top of our Must-Do list. Now, these endeavors are the key to greatly improving resident life and ultimately realizing the AFRH Mission. Thus, we are spearheading these vital Performance Goals:

A “mock” room, with the actual furniture, was created in DC for resident focus groups.

Goal 1:

Healthcare
(Resident Wellbeing)

Ensure exceptional resident care and extensive support.

Goal 2:

Housing
a. Gulfport:

Add Residents to a fully functional facility in FY11.

b. Washington:

“Right-size” facility and give it a facelift by 2013.

Goal 3:

Stewardship⁴
(Corporate Effectiveness)

Maintain overall vitality via efficient management.

⁴Resident satisfaction, superior staff, capital improvements, effective contracts, contained costs & Trust Fund solvency

SURVEY SUCCESS

Performance Summary & Highlights



AFRH has directed many resources to meet our challenges and execute our strategy. And many FY09 achievements are documented here. Results are positive.

While some staffing challenges disrupted our performance rating cycles, they never inhibited Excellent Service or impeded progress on major performance goals.

With the emergence of our three High Performance Goals in FY09, these new measures along with our former measures form a complete picture of how AFRH is doing.

Challenges

Each year the AFRH IG identifies and reports on management’s challenges as well as performance challenges facing the Home. Throughout FY09, our IG tracked the collective challenges identified in FY08 for this year.



COO Timothy Cox explains the Home’s benefits to visiting enlisted.

STATUS	MANAGEMENT CHALLENGE	RESULTS
Progress +++	Scott Project	– GSA initiated project – Bridging Architect & Construction Manager awarded
Progress +++	Gulfport residents’ return	– Priority waiting list established – Ongoing Focus Groups study Q&As
Progress +++	Succession Planning	– Plan developed within Human Capital Strategic Plan
Progress +++	CARF/CCAC Accreditation	– CARF/CCAC inspection yielded accreditation thru 2013 – Monthly monitoring continues
Progress +++	Constituent & Congressional oversight committee education	– LRFP completed & updated – Local Advisory Board stays active – NCPC approved Scott Project

STATUS	PERFORMANCE CHALLENGES	RESULTS
Progress +++	Resident maintenance requests	– Automated system set up with great results
Progress +++	Customer service improvements	– I SERVE badge buddy issued to all staff – Survey of activities show 70+% satisfaction
Progress +++	Accountability of funds	– Unqualified audit opinion
Progress +++	Visibility of the Home’s military heritage	– 1st annual Freedom Day gala held (September 22) – Halls of Honor designed into program of requirements for both Homes
Progress +++	Timelines & participation in mandatory training	– Added Performance Management as mandatory class

High-Priority Performance Goals

These Goals were established in FY09 (per OMB requirements), and closely match our four Focus Areas from last year. Those Areas were a key part of the AFRH Strategic Plan and their measures can be followed over several years.

For FY09, our new High-Priority Performance Goals are prominent strategies that will help us focus our resources even better.

- AFRH Strategic Goals**
- FG** - Financial Growth
 - ES** - Exceptional Service
 - IP** - Improved Processes
 - LG** - Learning & Growth
 - CI** - Culture of Integrity

High-Priority Performance Goals Analysis

Relationship to AFRH Strategic Goals	High-Priority Performance Goal	Baseline Performance Measure FY07 Target	FY07	FY08	FY09	FY09 Actual
Goal: HEALTHCARE (Resident Wellbeing)						
ES, IP	Accreditation	In good standing	Met	Met	Met	CARF/CCAC through 2013 for AFRH-W
ES, IP	% of resident satisfaction	70%	Met	Met	Met	74%
ES, IP	% of resident assessment plans	95%	NA	NA	Met	99%
Goal: HOUSING FOR VETERANS (Gulport & Washington)						
GULFPORT						
FG, ES, IP	Construction	Within Budget and on schedule	Met	Met	Met	On Plan
FG, ES, IP	Operational Plans	Plan	N/A	Met	Met	On Plan
WASHINGTON						
	Construction	Within budget and on schedule	NA	NA	Met	On Plan
FG, ES, IP	Operational Plans	Plan	Met	Met	Met	On Plan
Goal: STEWARDSHIP (Corporate Effectiveness)						
FG	Trust Fund solvency	Even balance of resources versus obligations	Met	Met	Met	Long Range Financial Plan reported solvency through 2018
FG, IP	Accuracy of Financial reporting	Unqualified audit opinion	Met	Met	Met	Unqualified audit opinion
LG	Evidence of measurable training goals	80% participation in 4 mandatory training classes for all staff	Met	Met	Not Met	98% for Safety, EEO, and Ethics, IT Security not completed
CI	% of Employee Climate Survey responses of "Excellent" or "Very Good"	70%	N/A	Met	Not Met	63% of all responses were in the top 2 positive choices. While 77% are satisfied overall, there are some problems with pay levels.

Performance Measures Trend

All Measures stem from the AFRH Strategic Goals and Objectives – starting in FY07 as a baseline. As always, our managers review staff performance using the Business Plan and its corresponding action plans. Likewise, integrating our budget and Goals is carefully monitored. And now, so is the mapping of our Strategic Goals to our new High-Priority Performance Goals.

Our New Performance Goals support Most Strategic Goals

AFRH STRATEGIC GOALS	H-P GOAL 1 WELLBEING	H-P GOAL 2 HOUSING	H-P GOAL 3 STEWARDSHIP
Financial Growth	•	•	•
Exceptional Service	•	•	•
Improved Processes	•	•	•
Learning & Growth	•		•
Culture of Integrity	•		•

Mike Longwell and Richard Robinson (Army) salute the Tomb of the Unknown.



WITNESS PROGRESS

Financial Statements Analysis & Summary

5th Consecutive Unqualified Audit Opinion:

The independent accounting firm Brown & Company expressed an unqualified opinion on our comparative FY09 and FY08 financial statements, the Consolidated Statements of Net Cost, Balance Sheets, Statements of Changes in Net Position, and Statement of Budgetary Resources. Also, Brown & Company did not report any material weaknesses.

Agency management, in partnership with BPD, is accountable for the integrity of the financial information presented in this report. All financial statements and data have been prepared from the AFRH accounting records in conformity with generally accepted accounting principles (GAAP) as defined by the CFO's Act of 1990 and OMB.

Limitations of the Principal Financial Statements

Our statements have been prepared to report the financial position and operating results of AFRH, pursuant to the requirements of 31 U.S. 315(b). They were prepared following GAAP. These statements are in addition to financial reports prepared from the same books and records used to monitor and control budgetary resources. They should be read with the understanding they are for a component of the US Government, a sovereign entity.



OVERVIEW: AFRH FINANCES

AFRH Trust Fund: our financing source since 1851.

Our Trust Fund balance was at \$156 million in 1995 and dramatically dropped to \$101 million in 2002. This serious decline led Congress to seek new leadership and direction for AFRH. Ever since, the balance has been steadily rising through better management and cost efficiencies.

*The Trust Fund rose to \$167 million at the end of FY08 and reached \$177 million in FY09. Yet, the impending Scott Project will be fully funded from the Trust Fund. As we expense the Scott Project, the balance in the Trust Fund will decline from FY10 through FY13.

Budget Authority: investing in veteran housing.

Increased spending is the result of greatly enhancing veteran housing – specifically, startup operations to rebuild Gulfport and capital funding for the Washington Scott Project. Hence, the Budget Authority for FY10 and FY11 will show increases in spending and decreases in the Trust Fund.

ENDING NET POSITION:

AFRH's Net Position at the end of FY09 (per the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position) was \$461 million: a \$6 million increase – or 1.32 percent – from the prior fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

Balance Sheet: Assets and Liabilities rose in FY09 (from FY08):

Assets:		
FY09	FY08	Net changes:
\$477,345,938	\$469,867,888	\$7,478,050
Liabilities:		
FY09	FY08	Net changes:
\$16,329,453	\$14,939,341	\$1,390,112



Aging in Place
will offer new
resources for
residents.

SEE
WHAT'S
NEW

Revenue:

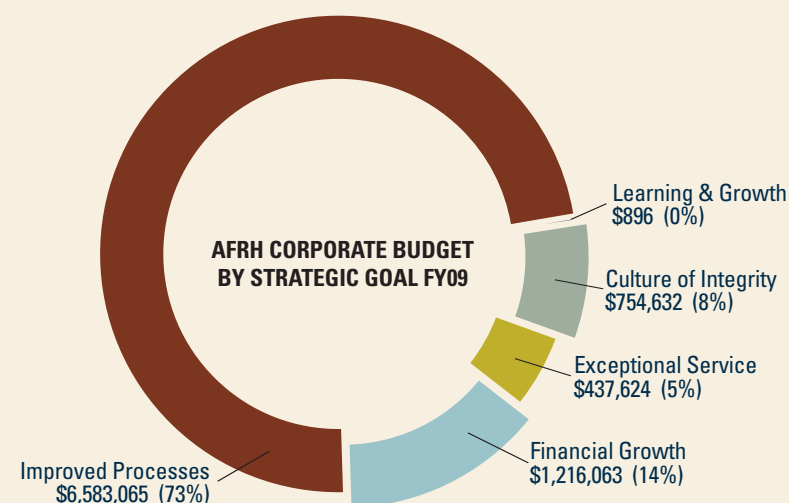
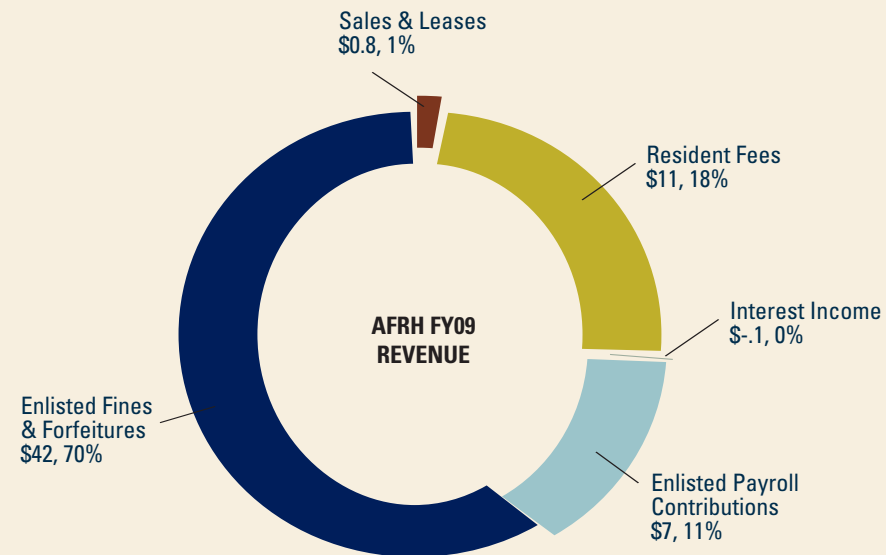
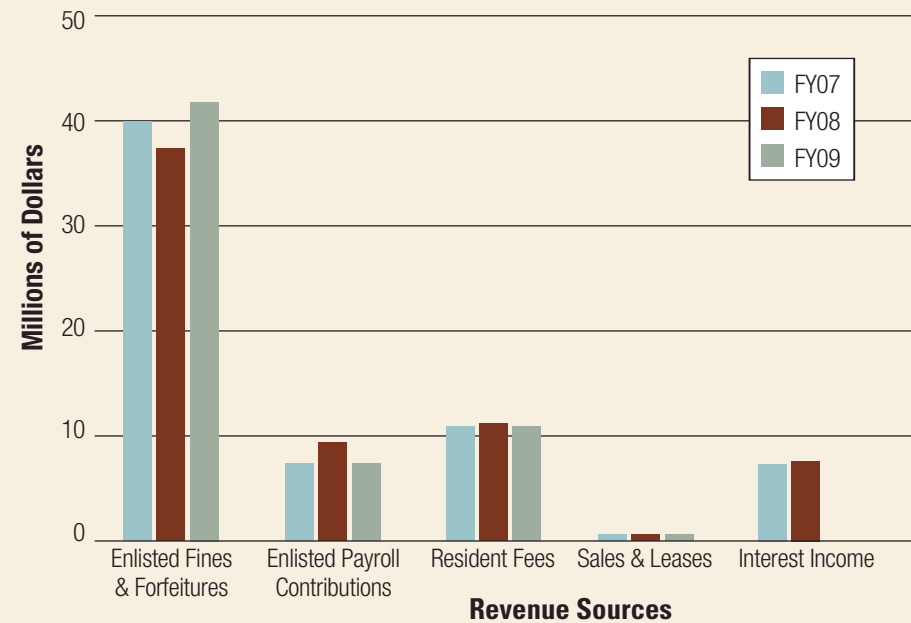
FY09 revenue was about \$61 million. Currently, the main source of revenue for our Trust Fund is Enlisted Fines & Forfeitures. Further, the Home's founders established that funding would come from automatic deductions from enlisted military. Currently it is 50 cents a month per individual, for the duration of service. These deductions have been supplemented with Interest Income (on Treasury Notes), Sales and Leases, as well as Resident Fees.

Earned Interest was lower:

In FY08 and 09 many of the Home's large Treasury Notes reached maturity and were reinvested at a premium to increase sustained revenue in the out years. As a result, this netted a decline in interest income for FY09.

Expenditures:

As we focus on residents and the future, AFRH is spending funds on two major Goals: Exceptional Service (which supports the High-Priority Goals of Healthcare and Housing) plus Improved Processes (which fulfills our stewardship in finances and modernization). To control finances more effectively we have conducted numerous studies in IT, acquisition, pharmacy, chillers, power plant, healthcare delivery, maintenance, and the LRFP.



Budgetary Concerns:

In the past decade, the needs of the AFRH-W community and the facilities to support them have shifted dramatically – requiring swift action over the coming decade to accommodate both. Plus, the new administration has charged agencies to leverage Government purchasing power to achieve savings.

Hence, we have developed, and are now executing plans to manage our financial issues.

Fiscal Concerns:

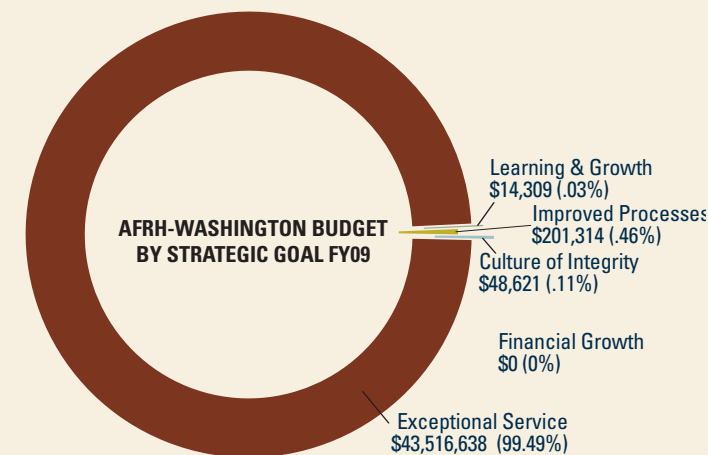
- Higher Gulfport operational sq. ft. costs (almost double in new facility)
- Ongoing Washington high infrastructure costs (managing 272 acres)
- Exploding healthcare & energy costs which have outpaced inflation
- Inefficient costly contracts that do not meet the needs of AFRH

Long Range Planning:

In FY07 and FY08 we engaged experts to develop a multi-year financial plan to ensure Trust Fund solvency while addressing our agency-wide capital needs. This led to the development of the landmark 10-year LRFP.

Concurrently, management also sought to cut operating costs and improve resident services. We considered options ranging from replacing buildings to adding programs to boost resident health. We decided to reduce the need for costly healthcare by implementing Aging in Place. This program motivates residents to stay healthy and identifies ways for them to stay in independent living – the least costly level of care.

In the LRFP, experts analyzed our new operating environment and management approach to improve resident service. Indeed, we found that it does strengthen the Trust Fund. Moving forward, the new operating environment will truly help us maintain Trust Fund solvency and keep budgets in check. All of which will help us serve our nation's veterans to the best of our ability.



Our Course of Action:

- Develop a plan to reduce energy costs by 2014
- Create an optimum population on each campus with reduced infrastructure by 2013
- Promote resident independence: implement Aging in Place strategy by 2010
- Reengineer key cost driver contracts between 2009 & 2013
- Deploy our Master Plan to develop south campus



"Working here is an adventure every day. The people are marvelous."
 –Jackie Bell,
 Arts Specialist (Staff)

64 years later, veterans rally for true peace.

The Embassy of Japan extended a generous olive branch, choosing eight residents to visit the country and play its veteran softball team. For a week they toured Japan by train and ferry, tasted delectable food and sake, and explored exotic castles and temples. All expenses paid. Above all, they formed close bonds with their veteran counterparts in the East.



"When we landed, a Japanese player grabbed my suitcase by one hand – and me by the other. He never let go till we got to our hotel!" beamed Marian Ritchie. Gigi Malone added, "We rode bullet trains at 300 mph across Japan. The landscape had beautiful gardens and fields." They also had an assigned interpreter. "The trip meant a little extra to me," said Minoru Nagaoka smiling. "That's where my parent's grew up: Iwakuni, Japan. Stanley Sagara also has eight cousins in Fukushima. But they were too busy to visit family. The group toured a memorial park in Hiroshima,

where but one building was left standing. "It looked like a skeleton," lamented Gigi. Given the history between our nations, you might think things would be awkward. "Not so," said Hugh Wingo, who served on the USS Benham and saw 50 of his buddies die from a kamikaze hit. "We never saw anyone turn up their nose at us. One sponsor said: "You beat us ... but the next day after the war, you helped us." This solidarity inspires us to look forward to the day when today's adversaries become tomorrow's allies.

Five residents share stories from the whirlwind journey to Japan (Stanley Sagara, Dorothy Malone, Marian Ritchie, Minoru Nagaoka & Hugh Wingo).

GATHER CONFIDENCE

LEGAL & REGULATORY COMPLIANCE

Management Affirmation

AFRH made great strides in strengthening its management practices and internal controls (IC) in FY09. Our FY09 audit contained no material weaknesses. In addition, the Home emphasized IC risk management for each service area through the year.

Statement of Assurance

I am pleased to report AFRH compliance with all applicable requirements, and progress in expanding action planning to previously identified risk areas.

AFRH managers, along with our partners BPD and the National Finance Center (NFC), participate in all IC. We have assessed their effectiveness, in accordance with the Federal Managers' Financial Integrity Act (FMFIA), (PL No. 97-255) Section 2 and OMB Circular A-123, Management's Responsibility for Internal Control.

Based on our analysis, AFRH can provide reasonable assurance that objectives have been achieved. No material weaknesses have been reported in our IC or financial reporting.

Given our comprehensive management controls, I am pleased to certify with reasonable assurance that:

> AFRH financial reporting is reliable. Transactions are properly recorded, processed and summarized to permit the preparation of financial statements in accordance with GAAP. Assets are safeguarded against loss from unauthorized acquisition, use or disposition.

> AFRH is in compliance with all applicable laws and regulations under FMFIA, FFMIA and FISMA. Financial and business exchanges are executed in accordance with laws governing the use of budget authority, as well as laws and regulations that could have a direct

and material effect on the financial statements.

> AFRH performance reporting is reliable. Performance measures are properly recorded, processed and summarized to permit information preparation per criteria established by AFRH management.

Timothy C. Cox



Chief Operating Officer
November 16, 2009



"AFRH can provide reasonable assurance that objectives have been achieved."

—Timothy C. Cox (COO)

Internal Controls

Rigorous controls are integrated into our financial reporting system, via BPD and NFC. An AFRH Senior Assessment Team, established by the CFO, has maintained oversight of our IC program since 2006. Each manager on this Team reports controls through an annual survey. AFRH can provide qualified assurance that controls over financial reporting as of September 30, 2009, were operating effectively. No IC material weaknesses were reported.

AFRH uses IC categories as required by law:

- 1) Control Environment: organizational structure & culture
- 2) Risk Assessment: identifying factors that may hinder objectives
- 3) Control Activities: policies, procedures & mechanisms
- 4) Information & Communications: flow of information
- 5) Monitoring: periodic assessments

Risk Management

The IC Board strengthened risk management in FY09 for key actions under the goal of Financial Growth. Also, a draft Risk Management Plan was vetted throughout AFRH. Managers were asked to identify high, medium, and low risks in their service areas. After those risks were presented to the IC Board, action plans to mitigate them were created.

Ongoing progress continues with the expansion of key actions. Status reports are now standard agenda items at IC Board meetings. Plus many of the risks will become agenda items at monthly Performance Improvement meetings at the campus level.

At the corporate level, AFRH had maintained three risk management programs. Recently, the Scott Project was added as a fourth to improve infrastructure and provide better housing for veterans.

1) Washington Master Plan

This Plan strives to generate new revenue to support our resident-focused care from underutilized land on the Washington Campus. The intention is to construct a ground lease with a developer(s), where AFRH retains land ownership and receives monthly payments. The strategy seeks to attract mix-use development of 77 acres at a fair market value that is compatible with the AFRH Mission. From 2005 to 2008, AFRH progressed by gaining the approval of the residents and the NCPC.

The original selected developer (which declared bankruptcy in late 2008) and AFRH were unable to reach a suitable agreement. The credit crisis that subsequently ensued made moving forward with the planned development impractical. Thus, negotiations ended in late FY08. However, we are continuing to talk with other interested developers and will be positioned to proceed when the real estate market improves.

FY09 Programs:

1
Washington
Master Plan

2
Gulfport
Master Plan

3
The AFRH
LRFP

4
Scott Project

2) Gulfport Master Plan

The rebuild of the Gulfport facility is within budget and on schedule. Plans are underway to reopen the facility to residents in October 2010. Its reopening will be a force multiplier in our risk management strategy.

Starting early in FY09, we ramped up planning efforts for the Gulfport standup. We began resident focus groups to answer questions and provide information on IT, living arrangements and building layout. In FY10, we'll be actively preparing the building for occupancy and solidifying plans to move former Gulfport residents back to the new facility starting October 2010 (E.g., FY11).

3) The AFRH LRFP

Our long-term strategy is to maintain Trust Fund solvency. We will achieve this through our LRFP. The original draft in FY08 surveyed plans to upgrade facilities, operations and budgets. Plus, it projected our financial status over a 10-year span.

To offset the decrease in revenue discussed earlier, we will follow our new operational plan – which calls for a smaller footprint and infrastructure. Also, we will continue to contain facility costs in other areas, and seek new ways to boost revenue. Fortunately, the LRFP is proving to be an essential guide in these efforts.

Update: Our first LRFP revision was completed in the summer of 2009. It featured new information plus more accurate cost and revenue data. Even with these new figures, we still found that the Trust Fund will remain solvent in the coming decade. All told, the LRFP is our corporate key to avoiding financial risk and safeguarding the Home for future generations. And we are confident that it will help us keep the Trust Fund solvent.

4) Scott Project

Master Planning for AFRH-W was performed on many levels. We determined the Scott Residence was at risk due to its aging infrastructure and massive repair cost of \$81 million. In the LRFP, the Home decided to tear down Scott and build a healthcare and multi-purpose facility in its place.

This facility will bring vital improvements to the lives of Veterans and manage the financial risks inherent with keeping the Washington facility open. Lastly, this strategy fulfills all three High-Priority Performance Goals.

Federal Manager's Financial Integrity Act (FMFIA)

This Act requires an agency to report the health and integrity of its financial, program and related activities. It ensures that resources are consistent with the overall mission, that programs achieve intended results, and that both are free of waste, fraud and mismanagement. Further, the agency head must see that laws and regulations are followed, and that fiscal management complies with Federal standards. FMFIA sets requirements for internal controls, and requests yearly evaluation of the control and financial systems to protect their integrity. AFRH performs these evaluations annually and is pleased to report no "material weaknesses" have been found in FY09.

Federal Financial Management Improvement Act (FFMIA)

FFMIA requires all agencies to provide reliable, consistent disclosure of data, per GAAP. For FY09, AFRH is in substantial compliance. BPD-ARC established our accounting process and they are also in compliance. Based on agency assessment and the audit opinion, AFRH is in compliance with Federal financial management systems requirements, the Federal Accounting Standards Advisory Board, and the US Standard General Ledger (USSGL) at the transaction level.

Federal Information Security Management Act (FISMA)

FISMA requires a competence review of information security and privacy policies, procedures and practices. One of its primary objectives is to ensure the effectiveness of information security controls. Under strong senior leadership, AFRH has enhanced overall security and has improved the safety of our IT hardware and software

HSPD-12 PIV (Homeland Security Presidential Directive 12 - Personal Identification Verification). Certification was maintained. That assessment was not scheduled for FY09, but will be completed in FY10. In FY06, AFRH earned its Certification and Accreditation (C&A). It was recertified in FY08, and is valid for three years. The next review will be in FY10.

	Agency	Auditor
Overall FFMIA Compliance	YES	YES
System Requirements	Yes	Yes
Accounting Standards	Yes	Yes
USSGL at Transaction Level	Yes	Yes

assets. OMB approved the AFRH FISMA Report for FY08 during FY09. Also, AFRH funded a new Memorandum of Agreement with Department of Interior (DOI) National Business Center (NBC) to provide FISMA compliant desktop support and hosting services consolidation for all AFRH IT. Implementation will be completed in early FY10.

In FY08, BPD performed the annual risk assessment and AFRH earned a passing grade with an addition to the network architecture for



Carroll Collins and Charles Felder discuss Army life with CSM Jefferson Varner.

Financial Management Systems

AFRH uses financial systems from our partner BPD-ARC (Oracle financials 11i, Oracle Assets, PRISM and WebTA). ARC personnel operate and maintain the system, ensuring top-notch support. Plus they provide value-added services that interface with Oracle Federal Financials (e-payroll, procurement, purchase card, e-travel, Federal investment and IPAC transactions). Ultimately, ARC is responsible for the financial integrity and security of this system. Although, payroll transactions are handled by NFC and they are integrated with the above-mentioned systems.

Compliance

A key mandate at AFRH is passing inspections to ensure compliance with operating procedures and best practices. Beginning with the National Defense Authorization Act of FY08, AFRH was required to secure and maintain accreditation by a nationally recognized civilian accrediting entity for every aspect of each facility of the

Home (including medical and dental care, pharmacy, independent living, assisted living and nursing care). Any year in which a facility of the Home is not inspected by that entity, the DoD IG must perform a comprehensive inspection on all aspects listed above, including but not limited to, financial and contracting records, IT, facilities maintenance, IG Hotline, safety, security, the Local Advisory Board, and the Resident Advisory Committee or Council.

CARF/CCAC Accreditation:

Valid 2008 - 2013

CARF/CCAC is the accrediting body for CCRCs and other organizations in aging services. It helps ensure that retirement homes fulfill their promise of quality, lifetime care to seniors. AFRH achieved CARF accreditation in September 2008 for a 5-year period ending in 2013.

In October 2008, CARF provided us with 34 recommendations from their accreditation survey. AFRH has chosen to implement them all in its Quality

Improvement Plan (QIP) – even though none are “findings” or mandates, but merely suggestions that do not affect accreditation. At the end of FY09, only seven of the new QIP additions were yet to be completed.

Our monthly Process Improvement (PI) meetings provide oversight and management of the QIP. These meetings are helping managers review progress. Plus, the PI meetings manage risk, in tandem with the IC Board's action plans, which are identified for CARF reporting.

DoD IG Inspection

The DoD IG Inspection Team was comprised of 22 Subject Matter Experts (SME). The team completed its first comprehensive inspection on all aspects of AFRH-W in September 2009. Recommendations will be forthcoming in early FY10.

SEE
WHAT'S
NEW

An artist's conception of the future “Quadrangle” in Washington

“It's a small Heaven on Earth here. You don't worry about a thing.”
—Esker McConnell
(Army)

At age 65, Esker is very proactive.

He's serving as Chair of the Resident Advisory Council (RAC) for a third year.

“The RAC is the residents' voice

and we handle their problems. Each

morning at 7:30 I meet with the

Director Chuck Dickerson and

Ombudsman Al Mori. We usually settle

any issue by 8:00. If the mundane things are OK, 95% of the residents will

be happy.” Esker's tour in the Army

may have helped his diplomacy skills.

In Vietnam he worked for the Army's

Equal Opportunity Program. Altogether

he served 22 years, including three each in Frankfurt and Nuremburg,

Germany. Esker stressed that change is more difficult for older people. And how

we must help them understand the

reasons for it. So, AFRH created the

“Gulfport Startup” and “Scott Rebuild”

committees to keep residents involved.

“This is without a doubt the best place for retired people. I'm very contented

here. I have no desire to ever leave,”

he declared.

